

BANK INDONESIA REGULATION
NUMBER 19/2/PBI/2017
ON
NEGOTIABLE CERTIFICATE OF DEPOSIT
TRANSACTIONS IN THE MONEY MARKET

BY THE BLESSINGS OF THE ALMIGHTY GOD

GOVERNOR OF BANK INDONESIA,

- Considering :
- a. that Bank Indonesia aims to achieve and maintain rupiah rate stability;
 - b. that to achieve and maintain rupiah rate stability, Bank Indonesia determines and implements monetary and macroprudential policy as well as rupiah payment and management system, with the support of liquid and efficient financial market;
 - c. that to achieve liquid and efficient financial market, it is required to develop money market instruments tradable by money market participants;
 - d. that availability of money market instruments also allows flexible management of money market participants liquidity and boosts national economic financing;
 - e. that based on the foregoing considerations as referred to in letter a to letter d, it is necessary to issue Bank Indonesia Regulation on Negotiable Certificate of Deposit Transactions in the Money Market;

- Observing :
1. Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia of 1999 Number 66, Supplement to State Gazette of the Republic of Indonesia Number 3843) as amended several times and last, by Law Number 6 of 2009 on Establishment of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia becomes a Law (State Gazette of the Republic of Indonesia of 2009 Number 7, Supplement to State Gazette of the Republic of Indonesia Number 4962);
 2. Law Number 21 of 2011 on Financial Services Authority (State Gazette of the Republic of Indonesia of 2011 Number 111, Supplement to State Gazette of the Republic of Indonesia Number 5253);
 3. Bank Indonesia Regulation Number 18/11/PBI/2016 on Money Market (State Gazette of the Republic of Indonesia of 2016 Number 148, Supplement to State Gazette of the Republic of Indonesia Number 5909);

HAS DECIDED:

To enact : BANK INDONESIA REGULATION ON NEGOTIABLE CERTIFICATE OF DEPOSIT TRANSACTIONS IN THE MONEY MARKET.

CHAPTER I

GENERAL PROVISIONS

Article 1

In this Bank Indonesia Regulation:

1. Bank means a commercial bank carrying out its business activities in a conventional ways as referred to in the law on banks, including a branch office of a bank domiciled overseas.
2. Securities Company means a securities company as referred to in the law on the capital market.
3. Custodian means a custodian as referred to in the law on the capital market.
4. Money Broker in the Money Market and Foreign Exchange Market, hereinafter referred to as money broker, means a money broker as referred to in the Bank Indonesia provisions on money broker in the money market and foreign exchange market.

5. Negotiable Certificate of Deposit means a type of savings in the form of a deposit whose certificate is transferable.
6. Negotiable Certificate of Deposit Transaction means outright Certificate of Deposit transfer through the Money Market at an agreed price and with certain settlement mechanism and administration.
7. Deposit and Settlement Agency, hereinafter referred to as LPP, means a party implementing central custodian activities for Custodian Banks, Securities Company, and other parties to record and administer Certificates of Deposits in scripless form.
8. Non-Resident means an individual, legal entity, or any other entities non-domiciled in Indonesia or domiciled in Indonesia for less than 1 (one) year and whose main activities are not conducted in Indonesia.
9. Money Market means part of a financial system pertaining to trade, lending and borrowing, or short-term funding activities until 1 (one) year in Rupiah and foreign currency, playing roles in monetary policy transmission, achievement of financial system stability, and smooth payment system.

CHAPTER II

SCOPE

Article 2

Negotiable Certificates of Deposits specified in this Bank Indonesia Regulation constitutes Certificate of Deposit transacted in the Money Market.

CHAPTER III

CRITERIA OF NEGOTIABLE CERTIFICATE OF DEPOSIT TRANSACTIONED IN THE MONEY MARKET

Article 3

- (1) Any Negotiable Certificate of Deposit transacted in the Money Market is required to meet the following criteria:
 - a. is issued scripless;
 - b. the interest is paid in discount rate;

- c. is issued in rupiah and/or foreign currency denomination;
 - d. is issued in the minimum nominal amount of Rp10,000,000,000.00 (ten billion rupiah) or its equivalent in foreign currency, and subsequently in the multiples of Rp10,000,000,000.00 (ten billion rupiah) or its equivalent in foreign currency;
 - e. has the shortest tenor of 1 (one) month and the longest tenor of 36 (thirty-six) months, namely 1 (one) month, 3 (three) months, 6 (six) months, 9 (nine) months, 12 (twelve) months, 24 (twenty-four) months, or 36 (thirty-six) months; and
 - f. is registered and administered in Bank Indonesia or LPP appointed by Bank Indonesia.
- (2) Further provisions for the criteria for Negotiable Certificate of Deposit as referred to in paragraph (1) will be specified in a Regulation of Member of Board of Governors.

CHAPTER IV

PARTICIPANTS IN NEGOTIABLE CERTIFICATE OF DEPOSIT TRANSACTIONS

Article 4

- (1) Participants in Negotiable Certificate of Deposit Transactions to include:
- a. issuers of Certificate of Deposit; and
 - b. parties making Certificate of Deposit Transactions.
- (2) The issuer of Certificate of Deposit as referred to in paragraph (1) letter a shall be the Bank.
- (3) The parties conducting Certificate of Deposit Transactions as referred to in paragraph (1) letter b to include:
- a. Banks;
 - b. Securities Companies; and
 - c. Customers.
- (4) The customers as referred to in paragraph (3) letter c to include:
- a. Banks;
 - b. Securities Companies;

- c. corporations;
 - d. Individuals; and
 - e. Non-Residents.
- (5) The customers as referred to in paragraph (4) must make Certificate of Deposit Transactions through transaction intermediaries.

CHAPTER V

PERMITS

Article 5

- (1) Any Bank issuing Negotiable Certificate of Deposit transacted in the Money Market is required to obtain a permit from Bank Indonesia.
- (2) The permit from Bank Indonesia as referred to in paragraph (1) is required for a Bank issuing Negotiable Certificate of Deposit for the first time to be transacted in the Money Market.
- (3) The permit as referred to in paragraph (1) will be granted if a Bank meets certain criteria.
- (4) The criteria as referred to in paragraph (3) to include:
 - a. has obtained an approval of the competent authority for the issuance of scripless Negotiable Certificate of Deposit; and
 - b. has met administrative requirements enacted by Bank Indonesia.
- (5) If Bank Indonesia appoints LPP, a Bank must submit a copy of the permit as referred to in paragraph (1) to LPP as part of supporting documents for registration of Negotiable Certificate of Deposit in LPP administration.
- (6) Further provisions on the permit mechanism will be specified in a Regulation of Member of Board of Governors.

Article 6

- (1) Any Bank which has obtained the permit as referred to in Article 5 paragraph (1) is required to submit an issuance information to Bank Indonesia any time it issues a Negotiable Certificate of Deposit transacted in the Money Market.

- (2) Further provisions on the mechanism of an issuance information submission will be specified in a Regulation of Member of Board of Governors.

Article 7

- (1) Securities Companies and Money Broker acting as intermediaries of implementation of Negotiable Certificate of Deposit Transactions is required to obtain a permit from Bank Indonesia.
- (2) Any custodian administering Negotiable Certificate of Deposit transacted in the Money Market is required to obtain a permit from Bank Indonesia.
- (3) The custodian as referred to in paragraph (2) to include Banks and Securities Companies.
- (4) The permit as referred to in paragraphs (1) and (2) will be granted if a Securities Company, Money Broker, and Bank meets the following criteria:
 - a. has obtained a permit for intermediary business activities in implementation of transactions and/or Custodian from the competent authority; and
 - b. has met administrative requirements enacted by Bank Indonesia.
- (5) Further provisions on the permit mechanism will be specified in a Regulation of Member of Board of Governors.

CHAPTER VI

NEGOTIABLE CERTIFICATE OF DEPOSIT TRANSACTIONS

Article 8

- (1) Negotiable Certificate of Deposit Transactions are conducted directly or through intermediaries of transaction implementation.
- (2) The Negotiable Certificate of Deposit Transactions as referred to in paragraph (1) must be settled within 5 (five) working days at the maximum after a transaction ($t+5$).
- (3) Negotiable Certificate of Deposit Transactions apply day-count convention, namely actual/360.

- (4) Price calculation in a Negotiable Certificate of Deposit Transactions may refer to the generally applicable reference rate in the Money Market.

Article 9

- (1) Any Bank and Securities Company is prohibited from selling Negotiable Certificate of Deposit in rupiah and/or foreign currencies to Non-Residents in the secondary market.
- (2) Any Securities Company and Money Broker is prohibited from providing intermediary services to sell Negotiable Certificate of Deposit in rupiah and/or foreign currencies denominated from resident customers to Non-Residents in the secondary market.

Article 10

Negotiable Certificate of Deposit may serve as underlying for *repo* (*repurchase agreement*) transactions conducted in the Money Market.

CHAPTER VII

APPLICATION OF PRUDENTIAL PRINCIPLES, RISK MANAGEMENT, AND SUPERVISION

Article 11

Any Bank, Securities Company, and Money Broker conducting activities as referred to in this Bank Indonesia Regulation is required to apply the prudential principles and risk management under the Bank Indonesia provisions on money market.

Article 12

Bank Indonesia supervises Negotiable Certificate of Deposit transacted in the Money Market in accordance with Bank Indonesia provisions on money market.

Article 13

In the event that based on the evaluation and assessment of Bank Indonesia, any issues are observed to hinder Banks, Securities Company, and Money Broker from conducting activities as referred to in this Bank Indonesia Regulation, Bank Indonesia may cancel the permit as referred to in Article 5 and Article 7.

CHAPTER VIII REPORTING

Article 14

- (1) Any Bank and Securities Company conducting Negotiable Certificate of Deposit Transactions for their own interest and/or providing intermediary services for the implementation of Negotiable Certificate of Deposit Transactions for customers is required to submit periodically transaction reports to Bank Indonesia.
- (2) Any Money Broker providing intermediary services for the implementation of Negotiable Certificate of Deposit Transactions for customers is required to submit periodically customer transaction reports to Bank Indonesia.
- (3) LPP appointed by Bank Indonesia is required to submit periodically reports on the administration of Negotiable Certificate of Deposit to Bank Indonesia.
- (4) The reports as referred to in paragraph (1), in paragraph (2), and in paragraph (3) are conducted through the reporting system of Bank Indonesia.
- (5) Further provisions for the mechanism of reporting to Bank Indonesia will be specified in a Regulation of Member of Board of Governors.

CHAPTER IX SANCTIONS

Article 15

- (1) Any Bank breaching the provisions as referred to in Article 3 paragraph (1) and/or Article 5 paragraph (1) will be subject to sanction in the form of payment obligation of 0.01% (zero point zero one percent) of the issuance nominal value, for a minimum of Rp10,000,000.00 (ten million rupiah) and a maximum of Rp100,000,000.00 (one hundred million rupiah) per issuance.
- (2) Any Bank breaching the provisions as referred to in Article 6 paragraph (1) and/or Article 7 paragraph (2), will be subject to an administrative sanction in the form of a written warning.

- (3) Any Securities Company or Money Broker breaching the provisions as referred to in Article 7 paragraph (1) and/or Article 7 paragraph (2) will be subject to an administrative sanction in the form of a written warning.
- (4) Any Bank or Securities Company breaching the provisions as referred to in Article 9 paragraph (1) will be subject to sanction in the form of payment obligation of 0.01% (zero point zero one percent) of the nominal value of the transaction which does not comply with the requirements, for a minimum of Rp10,000,000.00 (ten million rupiah) and a maximum of Rp100,000,000.00 (one hundred million rupiah) per transaction.
- (5) Any Securities Company or Money Broker breaching the provisions as referred to in Article 9 paragraph (2) will be subject to sanction in the form of payment obligation of 0.01% (zero point zero one percent) of the nominal value of the transaction which does not comply with the requirements, for a minimum of Rp10,000,000.00 (ten million rupiah) and a maximum of Rp100,000,000.00 (one hundred million rupiah) per transaction.
- (6) Any Bank, Securities Company, and/or Money Broker breaching the provisions as referred to in Article 11 will be subject to an administrative sanction in the form of a written warning.
- (7) Any Bank breaching the provisions as referred to in Article 14 paragraph (1) will be subject to sanctions as specified in Bank Indonesia provisions for daily reports of commercial banks.
- (8) Any Securities Company breaching the provisions as referred to in Article 14 paragraph (1) and Money Broker breaching the provisions as referred to in Article 14 paragraph (2) will be subject to sanctions as specified in Bank Indonesia provisions for reporting by securities company and money broker.

Article 16

- (1) Any Bank breaching the provisions as referred to in Article 3 paragraph (1), Article 5 paragraph (1), Article 6 paragraph (1), Article 7 paragraph (2), Article 9 paragraph (1), and/or Article 11 for 3 (three) times within 6 (six) months will be subject to sanction with suspension of activities in the Money Market, in the form of issuance of Negotiable Certificate of Deposit transacted in the Money Market, activities as a Custodian, and/or Certificate of Deposit Transactions for their own interest and/or customer's interest, for 1 (one) month.
- (2) Any Securities Company breaching the provisions as referred to in Article 7 paragraph (1), Article 7 paragraph (2), Article 9 paragraph (1), Article 9 paragraph (2), and/or Article 11 for 3 (three) times within 6 (six) months will be subject to sanction with suspension of activities in the Money Market, namely activities as a Custodian, and/or Negotiable Certificate of Deposit Transactions for their own interest and/or customer's interest, for 1 (one) month.
- (3) Any Securities Company breaching the provisions as referred to in Article 7 paragraph (1), Article 9 paragraph (2), and/or Article 11 for 3 (three) times within 6 (six) months will be subject to sanction with suspension of activities in the Money Market, namely provision of services for Negotiable Certificate of Deposit Transactions for 1 (one) month.
- (4) Any Bank, Securities Company, and/or Money Broker which have been subject to sanction with suspension of activities in the Money Market for 3 (three) times will be subject to sanction in the form of revocation of the granted permit.

CHAPTER X

TRANSITIONAL PROVISIONS

Article 17

Negotiable Certificate of Deposit issued prior to the enforcement of this Bank Indonesia Regulation may remain transacted in the Money Market until their due dates.

CHAPTER XI CLOSING PROVISIONS

Article 18

At the time when this Bank Indonesia Regulation comes into force:

- a. Article 1 and Article 2 of Decision of Director of Bank Indonesia Number 21/48/KEP/DIR dated 27 October 1988 on Issuance of Negotiable Certificate of Deposit by Banks and Non-Bank Financial Institutions; and
- b. item 1, item 2, and item 3 of Circular of Bank Indonesia No. 21/27/UPG dated 27 October 1988 on Issuance of Negotiable Certificate of Deposit by Banks and Non-Bank Financial Institutions,

are repealed and declared ineffective.

Article 19

The reporting obligation submitted by:

- a. Securities Company as referred to in Article 14 paragraph (1);
 - b. Money Broker as referred to in Article 14 paragraph (2); or
 - c. LPP as referred to in Article 14 paragraph (3) will
- come into force on 1 July 2018.

Article 20

This Bank Indonesia Regulation will come into force on 1 July 2017.

In order that every person may know hereof, it is ordered to promulgated this Bank Indonesia Regulation by its placement in the State Gazette of the Republic of Indonesia.

Issued in Jakarta
on 16 March 2017

BANK INDONESIA GOVERNOR,

AGUS D.W. MARTOWARDOJO

Promulgated in Jakarta on 20 March 2017

MINISTER OF LAW AND HUMAN RIGHTS
OF THE REPUBLIC OF INDONESIA,

YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2017 NUMBER 50

ELUCIDATION
OF
BANK INDONESIA REGULATION
NUMBER 19/2/PBI/2017
ON
NEGOTIABLE CERTIFICATE OF DEPOSIT
TRANSACTIONS IN THE MONEY MARKET

I. GENERAL

Deep, liquid, and efficient Money Market has a strategic function in supporting transmission of monetary and macroprudential policies, financial system stability, smooth payment system, and Rupiah management. In order to develop Money Market, it is necessary to develop tradable Money Market instruments by Money Market participants, one of which is Negotiable Certificate of Deposit transacted in the Money Market.

From macroeconomic aspect, a liquid market of Negotiable Certificate of Deposit will support transmission of monetary policies through creation of longer-term structure of interest rate in the Money Market. From microeconomic aspect, a liquid market of Negotiable Certificate of Deposit will support improvement of bank funding structure through a longer funding term and a potential addition of third party's funds.

In addition, the development of tradable Money Market instruments by Money Market participants is also expected to boost funding efficiency and serve as one of national economic funding sources.

Under Article 18 of Financial Services Authority Regulation (POJK) Number 10/POJK.03/2015 on Issuance of Negotiable Certificate of Deposit by Banks, it is specified that transfer of scripless Certificate of Deposit conducted in

the Money Market comply with the provisions of the competent authority, namely Bank Indonesia as the authority of Money Market. The authority of Bank Indonesia is also confirmed with the issuance of Bank Indonesia Regulation on Money Market.

In addition, under Article 30 paragraph (3) of Law Number 8 of 1995 on the Capital Market, it is specified that any party conducting business activities as an underwriter, securities trade intermediary, and/or investment manager for Negotiable Certificate of Deposit is not obliged to obtain a permit as a Securities Company. Therefore, regulation and permit of the party is necessary to be able to perform their function as an intermediary of transaction implementation and administration of Negotiable Certificate of Deposit traded in the Money Market.

Furthermore, to create a market of Negotiable Certificate of Deposit supporting establishment of a liquid, deep, and efficient Money Market, it is necessary to regulate Negotiable Certificate of Deposit Transactions in the Money Market. In addition, this regulation aims to mitigate potential systemic risks in financial system through strengthening of governance aspect, clear transaction mechanism, and supervisory authority.

II. ARTICLE BY ARTICLE

Article 1

Sufficiently clear.

Article 2

Sufficiently clear.

Article 3

Paragraph (1)

Letter a

Sufficiently clear.

Letter b

Sufficiently clear.

Letter c

Sufficiently clear.

Letter d

The issue size for a minimum of Rp10,000,000,000.00 (ten billion rupiah) or its equivalent in foreign currency, and in the multiples of Rp10,000,000,000.00 (ten billion rupiah) or its equivalent in foreign currency is conducted to boost the use of Negotiable Certificate of Deposit instruments as *wholesale funding* and increase its potential for the transaction in the secondary market.

Letter e

Standard tenor of 1 (one) month, 3 (three) months, 6 (six) months, 9 (nine) months, 12 (twelve) months, 24 (twenty-four) months, or 36 (thirty-six) months is conducted to boost transaction liquidity in the secondary market and create a benchmark rate for Negotiable Certificate of Deposit instruments.

Letter f

“LPP” means among others PT. Kustodian Sentral Efek Indonesia (KSEI).

Paragraph (2)

Sufficiently clear.

Article 4

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Letter a

Sufficiently clear.

Letter b

Sufficiently clear.

Letter c

“Customer” means any participants using intermediaries in implementation of transactions.

Paragraph (4)

Sufficiently clear.

Paragraph (5)

“Intermediary of transaction implementation” includes Securities Company and Money Broker permitted as intermediaries of implementation of Negotiable Certificate of Deposit Transactions.

Article 5

Paragraph (1)

Sufficiently clear.

Paragraph (2)

“A Bank issues first Negotiable Certificate of Deposit transacted in the Money Market” means the Bank issues first Negotiable Certificate of Deposit transacted in the Money Market after comes into force of this Bank Indonesia Regulation.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Letter a

Sufficiently clear.

Letter b

The Fulfillment of administrative requirements among others in the form of a statement letter signed by the Bank management pertaining to fulfillment of criteria for Negotiable Certificate of Deposit transacted in the Money Market, application of the prudential principles and risk management, and systemic risk consideration.

Paragraph (5)

Sufficiently clear.

Paragraph (6)

Sufficiently clear.

Article 6

Paragraph (1)

Information on issuance submitted to Bank Indonesia among others in the form of security name/issuance series, issuance nominal value, discount, term, issuance date, and due date.

Paragraph (2)

Sufficiently clear.

Article 7

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Letter a

Sufficiently clear.

Letter b

Fulfillment of administrative requirements among others in the form of a statement letter signed by the management pertaining to the application of the prudential principles and risk management.

Paragraph (5)

Sufficiently clear.

Article 8

Paragraph (1)

Direct “Negotiable Certificate of Deposit Transaction” means any transaction conducted by a Bank or Securities Company without intermediary of implementation of Negotiable Certificate of Deposit Transactions.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

Reference rate generally applicable in the Money Market among others is *Jakarta Interbank Offered Rate (JIBOR)* for Rupiah or any other reference rate such as *London Interbank Offered Rate (LIBOR)* for foreign currency.

Article 9

Paragraph (1)

Prohibition from selling Negotiable Certificate of Deposit to Non-Residents is determined to maintain financial system stability from suddenly increasing risk of exposure of Bank's loan to Non-Residents due to transactions in the secondary market.

Paragraph (2)

"Resident" means an individual, legal entity, or any other entities that domicile or plan to domicile in Indonesia for at least 1 (one) year, including the Republic of Indonesia's diplomatic representative and staff overseas.

Prohibition from providing intermediary services to sell Negotiable Certificate of Deposit from customers to Non-Residents is determined to maintain financial system stability from suddenly increasing risk of exposure of Bank's loan to Non-Residents due to transactions in the secondary market.

Article 10

Sufficiently clear.

Article 11

The application of the prudential principles at least includes:

- a. ethics in transactions and market code of conduct or any other similar guidelines;
- b. transparency and information openness;
- c. consumer protection; and
- d. dispute resolution mechanism.

Application of risk management refers to the provisions for risk management specified by the competent authority.

Article 12

Sufficiently clear.

Article 13

Sufficiently clear.

Article 14

Paragraph (1)

Sufficiently clear.

Paragraph (2)

Sufficiently clear.

Paragraph (3)

Sufficiently clear.

Paragraph (4)

“Reporting system of Bank Indonesia” means online and offline reporting system.

Paragraph (5)

Sufficiently clear.

Article 15

Sufficiently clear.

Article 16

Paragraph (1)

Breaches for 3 (three) times are calculated based on the frequency of breaches committed by a Bank, including breaches of the same or different articles.

Paragraph (2)

Breaches for 3 (three) times are calculated based on the frequency of breaches committed by a Securities Company, including breaches of the same or different articles.

Paragraph (3)

Breaches for 3 (three) times are calculated based on the frequency of breaches committed by a Money Broker, including breaches of the same or different articles.

Paragraph (4)

Sufficiently clear.

Article 17

Sufficiently clear.

Article 18

Sufficiently clear.

Article 19

Sufficiently clear.

Article 20

Sufficiently clear.

SUPPLEMENT TO STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER
6034